

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**
Course: Macro Economics, Policies and Practice
Semester-II (Batch: 2015-20)

End Semester Examination: April-May 2016

Date: 8th May, 2016

Duration: 3 hours

Max. Marks: 50

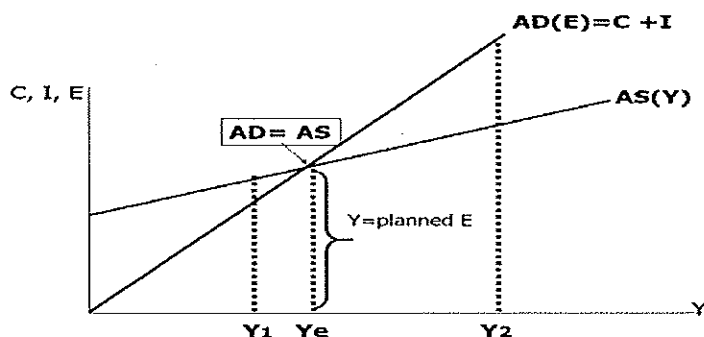
Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

- | | Marks |
|---|------------------|
| <p>Q.1 Write short notes on any five of the following questions and illustrate with diagram wherever necessary. (word limit: 250-275 words)</p> <p>(a) Derive and describe IS- LM Model. Explain the policy mix (fiscal + monetary) framework in case of German reunification and current India's policy mix.</p> <p>(b) Describe Classical Theory of Full Employment in case of effect of an increase in Technology (e.g the introduction of computer in providing various services) in the economy.</p> <p>(c) Explain the Supply Side Economic Model for solving the problem of stagflation. Discuss in detail the basic propositions of Supply Side Economic.</p> <p>(d) Describe the Keynes's theory of Effective Demand for achieving full employment.</p> <p>(e) Discuss Long Run Phillips Curve analysis of Milton Friedman's (Adaptive Expectation Theory) versus New Classical Economics (Rational Expectations).</p> <p>(f) Discuss the New Classical Economics Model in the case of (i) Anticipated policy actions and (ii) Unanticipated policy actions. What changes will occur in employment, output and price level in the short run with the increase in money supply (Expansionary Monetary Policy)?</p> <p>(g) Discuss in detail complete classical model for the determination of output and employment.
What changes will occur due to a decrease in the quantity of money supply?</p> | <p>(5x7= 35)</p> |
| <p>Q.2 Explain any five of the following questions with reasons or examples and draw diagrams wherever necessary. (word limit: 40-60 words)</p> <p>(a) What are the reasons for the existence of money-wage rigidity in Keynes's point of view?</p> <p>(b) As per the short run Classical model of income and employment determination with saving and investment: What changes will occur due to a decrease in investment demand and why it does not disturb full-employment equilibrium?</p> <p>(c) What are the reasons given by A.W. Phillips' for a trade-off between money wage</p> | <p>(5x3= 15)</p> |

rate and unemployment rate? Why?

- (d) (i) In the following diagram, what problem will arise, when the economy is producing Y_1 and Y_2 output? (use the concepts of Walrasian disequilibrium and animal spirits)



- (ii) Objectives and mandates of Macroeconomics.
- (e) Elucidate the cold turkey policy versus gradual policy in the context of the policy of disinflation.
- (f) 'Classical economist believe that budget deficit crowds out private investment.' Explain. (Use concept of Saving and Investment)
- (g) (i) Derive balance budget multiplier.
- (ii) Explain how multiplier process work (entire process), when investment increase by 100 million, how much amount of GDP will rise? Here, $MPC = 0.8$ (80 %).
